

Message Text

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E.O. 11652: GDS
TAGS: EINV, ENRG, PFOR, EC
SUBJECT: GULF-GOE NEGOTIATIONS

1. SUMMARY: MINNATRES VARGAS PRESENTED GULF REPRESENTATIVES
DECEMBER 23 WITH A DRAFT DECREE FOR TAKEOVER OF GULF'S
ASSETS DECEMBER 31, AND REQUESTED GULF'S REACTION TO THE
DECREE BY DECEMBER 27. THE DECREE IS TOTALLY UNACCEPTABLE
TO GULF. PROVISIONAL VALUE OF GULF'S ASSETS IS FIXED AT
\$82 MILLION (INCLUDING THE PIPELINE) OR SOME \$40 MILLION
LESS THAN GULF'S NET BOOK VALUE. WHEN ASKED FOR AN EXPLANATION,
A SUBORDINATE OF VARGAS SAID THAT
THE \$82 MILLION FIGURE REFLECTED GOE OUTSTANDING CLAIMS AGAINST
GULF. DCM WILL DISCUSS GULF'S OBJECTION TO THE DECREE
AND ITS OBVIOUS VIOLATION OF THE USG-GOE MEMORANDUM WITH
HUGO GARCES, SECRETARY GENERAL FOR ADMINISTRATION AND
POVEDA'S CONFIDENT. END SUMMARY.

2. LOCAL GULF MANAGER JACK O'BRIEN CALLED ON AMBASSADOR
DECEMBER 23 TO REPORT RESULTS OF THAT MORNING'S MEETING WITH
MINISTER OF NATURAL RESOURCES RENE VARGAS, CEPE MANAGER
HECTOR MIRANDA, SUBSECRETARY OF NATURAL RESOURCES LUIS PARODI,
AND SUBSECRETARY OF FINANCES RAUL JARAMILLO, REPRESENTING THE

ABSENT MINISTER OF FINANCES SANTIAGO SEVILLA.
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3. VARGAS PRESENTED GULF REPRESENTATIVES WITH A DRAFT DECREE
PROVIDING FOR TAKEOVER OF GULF'S ASSETS DECEMBER 31 AND ASKED
FOR GULF'S COMMENTS ON THE DECREE BY DECEMBER 27. VARGAS
TOLD GULF THAT GULF ASSETS WOULD BE DEFINITELY TAKEN OVER
BY CEPE DECEMBER 31, DESPITE THE ABSENCE OF SEVILLA.

4. O'BRIEN REPORTED THAT HE ASKED VARGAS TO EXPLAIN WHY THE GOE HAD ESTABLISHED A PRELIMINARY ASSET VALUE OF \$82 MILLION. VARGAS ANSWERED THAT THIS AMOUNT REFLECTED CERTAIN CLAIMS PENDING AGAINST GULF AND REFERRED GULF TO DIRECTOR OF HYDROCARBONS LEONARDO ESTUPINAN FOR AN EXPLANATION.

5. ESTUPINAN AND HIS ADVISORS TOLD GULF THAT THE PROVISIONAL BOOK VALUE OF \$82 MILLION REFLECTED THE \$70 MILLION PEMEX ESTIMATE OF THE PIPELINE, RATHER THAN TEXACO-GULF'S FIGURE OF \$100 MILLION. HE ADMITTED THAT THE DGH HAD ONLY RECENTLY LOOKED AT THE PEMEX STUDY. HE ALSO CITED THE \$15 MILLION DIFFERENCE IN THE TWO ARTHUR YOUNG AUDITS, A DIFFERENCE GULF THOUGHT HAD BEEN RESOLVED IN PREVIOUS MEETINGS. THE GOE ALSO CLAIMED GULF OWED SEVERAL MILLION DOLLARS FOR ROAD MAINTENANCE AND \$20 MILLION IN BACK TAXES BASED ON TULF'S ILLEGAL METHOD OF AMORTIZING THE PIPELINE. WHEN GULF INQUIRED ABOUT THE LEGAL BASIS FOR THIS \$20 MILLION CLAIM, ESTUPINAN REPLIED THAT THERE WERE SPECIFIC DECREES COVERING THIS MATTER BUT GULF WOULD HAVE TO REQUEST THESE DECREES IN WRITING.

6. O'BRIEN EXPLAINED TO THE AMBASSADOR THAT GULF HAS SEVERAL MAJOR OBJECTIONS TO THE DECREE, ALTHOUGH HE THOUGHT GULF WOULD BE UNABLE TO PRESENT A DETAILED RESPONSE TO THE DECREE BEFORE DECEMBER 28. ALTHOUGH THE DECREE STATES THAT THE \$82 MILLION FIGURE IS OPEN TO NEGOTIATION, GULF DOES NOT WISH TO COMPROMISE ITS POSITION BY ACCEPTING SUCH A PRELIMINARY ESTIMATE. THERE IS NO QUIT CLAIM IN THE DECREE, AN OMISSION WHICH WOULD ALLOW VARGAS TO LEVY CLAIMS AGAINST GULF AND THEN ACT AS ARBITRATOR IN HIS POSITION AS HYDROCARBONS JUDGE.
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NOR DOES THE DECREE SPECIFY HOW GULF IS TO BE PAID OR PROVIDE FOR INTEREST PAYMENTS ON THE OUTSTANDING BALANCE.

7. SINCE POVEDA HAS ALREADY DISCUSSED THIS DECREE WITH THE AMBASSADOR AND ASSURED HIM IT WOULD NOT BE SIGNED BY THE SUPREME COUNCIL, THE AMBASSADOR FEELS IT WOULD BE INAPPROPRIATE TO SPEAK TO POVEDA AT THIS STAGE. HOWEVER, THE DCM WILL MEET DECEMBER 24 WITH VICTOR HUGO GARCES (SECRETARY GENERAL FOR ADMINISTRATION AND POVEDA'S CLOSE ASSOCIATE) TO MAKE SURE THAT POVEDA IS AWARE OF RECENT EVENTS AND TO DISCUSS GULF'S OBJECTIVES TO THE DECREE AND ITS VIOLATION OF THE USG-GOE MEMORANDUM.
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